



STATE OF IOWA

THOMAS J. VILSACK, GOVERNOR
SALLY J. PEDERSON, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES
KEVIN W. CONCANNON, DIRECTOR

MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES COMMISSION

November 14, 2003

The Honorable Governor Thomas J. Vilsack
Office of the Governor
State Capitol Building
Des Moines, IA 50319

Re: FY 06 Allowed Growth Factor Adjustment Recommendation

Dear Governor Vilsack:

At the October 16, 2003 meeting, the Mental Health and Developmental Disabilities (MH/DD) Commission submitted its recommendation for the FY 06 allowed growth factor adjustment for state funding provided to counties, consistent with Iowa Code 331.439(17)(3)(b). DHS staff has compiled this information with the assistance of the Department of Management.

The MH/DD Commission has reviewed prior allowed growth factor adjustment recommendations made by the State County Management Committee and those implemented by legislative action. We have reviewed costs associated with new consumers of service, service cost inflation, and investments for economy and efficiency. We have also taken into account reductions in state funding (contrary to recommendations) and the dramatic affect this has had and will continue to have on county resources to provide services.

Our recommendation is \$35,107,854 for allowed growth funding for FY 06. This level of funding will be essential to maintain a service system across the state and is derived by averaging the growth in expenditures for the past three years. The fact that previous recommendations have not been met has compounded the need for additional funding in the future. We must not lose sight of the fact that in the intent of SF 69, passed in 1996, was to decrease the rise of property taxes by capping county expenditures for disability services. The state committed to increasing it's funding for the disability service system to take up the slack for the capped county expenditures. The state has not fulfilled its commitment.

The FY 02 county financial information and fund availability demonstrate a definite negative trend, which will continue over the next two years **in which state funding levels have**

already been determined. The consequences to individuals being served by our MH/DD system will be substantial and possibly devastating in some areas of the state if funding changes are not made. If counties cannot access additional dollars, the number of people served will be further reduced. The use of waiting lists will increase. Services currently being utilized will be further reduced and people applying for services for the first time will be denied. Currently accepted goals to integrate individuals into community-based settings will be jeopardized by the financial failure of service providers in rural and urban areas due to lack of sufficient funding.

The legislative goal in reducing the growth funds available to counties was to reduce the fund balances of the counties. When looking at this from a population perspective (Iowa's population being approximately 3 million people), we find that after the 1st year of implementing this growth reduction, almost three-fourths of Iowa's population lives in counties with a fund balance of less than 25% of expenditures.

	FY 01	FY 02
Counties < 25% Ending Fund Balance	30	55
% of state population in counties < 25%	57%	73%
Counties > 45% Ending Fund Balance	43	21
% of state population in counties > 45%	25%	14%
Counties > 99% Levy	47	58
% of state population in counties > 99%	63%	71%
Counties > 70% Levy	69	79
% of state population in counties > 70%	80%	87%

The Commission has seen a tendency for counties with limited resources to revise eligibility criteria to limit the number of people eligible for services. Waiting lists are also developed with individuals denied services for lack of funding or lack of service availability.

There has also been anecdotal evidence of increasing financial pressure on community providers. Along with the state and counties, community mental health centers and other MH/DD providers have experienced a reduction in cash reserves in order to continue to provide services. This limits a provider's ability to meet operational cash flow needs, fund depreciation, and enable the expansion of services needed in a community. The financial stability of service providers is essential to the delivery of service throughout our state.

The Commission urges you to accept our recommendation and forward it to the Legislature. We also encourage you to support the current anticipated funding levels set for FY 05 so further reductions are not made.

Respectfully,

Michael Bergan
Chairman, MH/DD Commission

LM/MB/bf

Attachments: County Gross Expenditures
People Served – Unduplicated
Growth Appropriation
FY 01 Aggregate Population of Counties with an Ending Fund Balance
FY 02 Aggregate Population of Counties with an Ending Fund Balance